

City of Marlette

Sanilac County, Michigan

Audited Financial Report
June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Marlette	County Sanilac
Fiscal Year End June 30, 2006	Opinion Date October 2, 2006	Date Audit Report Submitted to State November 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

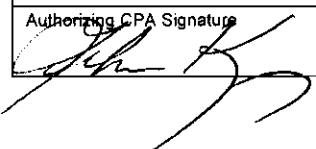
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113	
Street Address 3531 Main Street		City Marlette	State MI
		Zip 48453	
Authorizing CPA Signature 		Printed Name Lehn King	License Number A248781

City of Marlette
Annual Financial Report
For The Year Ended June 30, 2006

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Fax 989-635-5580

Honorable City Council
City of Marlette
Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Marlette, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Marlette, Michigan as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marlette, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of July 1, 2003.

Lehn King

Lehn L. King
Certified Public Accountant

October 2, 2006

City of Marlette

Marlette, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the City of Marlette's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

Financial Highlights

Over the last five years the City has undertaken numerous major projects; the industrial park, Fenner Street reconstruction, dug a new well, Church Street water project, Euclid Street, Sterling Street, Ellsworth Street streetscape, 2006 street improvements. Most significantly the City has started construction on the 5.7 million dollar State mandated sewer upgrade. These projects have had a significant impact on cash reserves of the City.

The restructured utility billing and rates will allow those funds to be self supporting and plan for capital improvements.

The general fund is headed in the right direction and close monitoring and prudent fiscal management should continue that trend.

The street funds will allow for basic maintenance programs, major projects will need to be placed on hold until reserves are built up.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

The City as a Whole

The following table shows in a condensed format, the net assets as of the current date and compared to the prior year's net assets.

	Governmental Activities		Business-Type Activities		Total	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005	6/30/2006	6/30/2005
Current Assets	\$ 665,455	\$ 499,975	\$ 218,235	\$ 189,147	\$ 883,690	\$ 689,122
Noncurrent Assets	7,647,130	7,888,851	5,060,263	4,903,295	12,707,393	12,792,146
Total Assets	8,312,585	8,388,826	5,278,498	5,092,442	13,591,083	13,481,268
Current Liabilities	300,159	265,016	277,692	62,359	577,851	327,375
Noncurrent Liabilities	2,540,455	2,693,855	286,909	309,738	2,827,364	3,003,593
Total Liabilities	2,840,614	2,958,871	564,601	372,097	3,405,215	3,330,968
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	4,954,254	5,031,985	4,716,868	4,554,609	9,671,122	9,586,594
Unrestricted	517,717	397,970	(2,970)	165,736	514,747	563,706
Total Net Assets	\$ 5,471,971	\$ 5,429,955	\$ 4,713,898	\$ 4,720,345	\$ 10,185,869	\$ 10,150,300

City of Marlette

Marlette, Michigan

The City as a Whole – Continued

The City's combined net assets increased 12% from \$9,105,778 to \$10,150,300. As we look at the governmental activities separately from the business-type (water & sewer) we can see that the governmental activities experienced an increase of approximately \$1,142,269 during the year (a 27.00% increase). The business-type activities (water & sewer) experienced a \$97,747 decrease in net assets (a 2.00% decrease). The assets of the City increased mainly due to the Industrial Park capital project that was funded by two capital grants.

The following table shows the changes of the net assets during the current year:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u> <u>2005/2006</u>
Revenues			
Program Revenues:			
Charges for Services	\$ 285,151	\$ 692,203	\$ 977,354
Operating Grants & Contrib's	235,826	-	235,826
Capital Grants & Contrib's	230,116	-	230,116
General Revenues:			-
Property Taxes	727,040	-	727,040
State-Shared Revenues	243,438	-	243,438
Interest	27,519	4,810	32,329
Other Revenues	22,297	10,366	32,663
Transfers In	964	-	964
Total Revenues	1,772,351	707,379	2,479,730
Program Expenses			
General Government	\$ 271,513	\$ -	\$ 271,513
Public Safety	393,582	-	393,582
Public Works	847,580	-	847,580
Recreation & Culture	96,483	-	96,483
Interest on Long-Term Debt	140,526	14,581	155,107
Water & Sewer	-	699,244	699,244
Total Program Expenses	1,749,684	713,825	2,463,509
Change in Net Assets	<u>\$ 22,667</u>	<u>\$ (6,446)</u>	<u>\$ 16,221</u>

City of Marlette

Marlette, Michigan

Economic Factors and Next Year's Budget and Rates

The City of Marlette's 2006/2007 adopted budget is as follows:

	General Fund	
	June 30,	
	2007	2006
Revenue		
Property Taxes	\$ 538,000	\$ 539,200
Intergovernmental Revenue	248,700	245,000
Charges for Services	123,900	143,150
Grant Proceeds	4,500	11,680
Loan Proceeds	-	-
Other	47,500	43,500
Total Revenue Collected	962,600	982,530
Expenditures		
General Government	320,000	260,116
Public Safety	403,500	470,500
Public Works	130,875	103,050
Recreation & Culture	93,100	74,250
Capital Outlay	-	-
Debt Service	-	-
Transfers	-	-
Total Expenditures	947,475	907,916
Net Over/Under Budget	\$ 15,125	\$ 74,614

Contacting the City

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City office at the City Hall in Marlette, Michigan or by telephone at (989) 635-7448.

Steve Schaub
City of Marlette, Manager

City of Marlette

Statement of Net Assets (Deficit)

June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash & Cash Equivalents	\$ 535,077.63	\$ 63,662.22	\$ 598,739.85
Accounts Receivable	49,910.35	70,096.78	120,007.13
Prepaid Expenditures	8,581.20	3,775.85	12,357.05
Due From Other Funds (Net)	71,885.96	80,700.00	152,585.96
Capital Assets			
Nondepreciable Capital Assets	221,357.50	21,225.00	242,582.50
Net Depreciable Capital Assets	7,425,772.72	5,021,480.30	12,447,253.02
Restricted Cash - Bond Reserve	-	17,557.65	17,557.65
 Total Assets	 8,312,585.36	 5,278,497.80	 13,591,083.16
<u>Liabilities</u>			
Accounts Payable	122,961.74	102,822.71	225,784.45
Due To Others	24,776.00	-	24,776.00
Due To Other Funds	-	152,039.96	152,039.96
Current Portion of Long-Term Debt	152,421.00	22,829.00	175,250.00
Noncurrent Liabilities:			
Long-Term Debt	2,540,455.27	286,908.55	2,827,363.82
 Total Liabilities	 2,840,614.01	 564,600.22	 3,405,214.23
<u>Net Assets (Deficit)</u>			
Invested in Capital Assets - Net of Related Debt	4,954,253.95	4,716,867.75	9,671,121.70
Unrestricted	517,717.40	(2,970.17)	514,747.23
 Total Net Assets (Deficit)	 \$ 5,471,971.35	 \$ 4,713,897.58	 \$ 10,185,868.93

The notes are an integral part of the statements.

City of Marlette

Statement of Activities

For the Year Ended June 30, 2006

Functions/Programs Primary Government:	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Governmental Activities:						
General Government	\$ 271,513.01	\$ 128,897.91	\$ -	\$ -	\$ (142,615.10)	\$ -
Public Safety	393,582.49	10,303.45	-	11,670.60	(371,608.44)	-
Public Works	847,579.71	122,837.03	235,825.53	218,445.09	(270,472.06)	-
Recreation & Culture	96,482.71	23,112.45	-	-	(73,370.26)	-
Interest on Long-Term Debt	140,525.93	-	-	-	(140,525.93)	-
Total Governmental Activities	1,749,683.85	285,150.84	235,825.53	230,115.69	(998,591.79)	-
Business-type Activities	699,244.47	692,203.17	-	-	-	(7,041.30)
Interest on Long-Term Debt	14,581.25	-	-	-	-	(14,581.25)
Total Business-type Activities	713,825.72	692,203.17	-	-	(21,622.55)	(21,622.55)
Total Primary Government	\$ 2,448,928.32	\$ 977,354.01	\$ 235,825.53	\$ 230,115.69	\$ (998,591.79)	\$ (21,622.55)
General Revenues:						
Property Taxes					\$ 727,039.69	\$ 727,039.69
State Shared Revenues					243,437.50	243,437.50
Interest					27,519.16	4,810.07
Other Revenues					22,297.27	10,365.73
Transfers					963.52	-
Total General Revenues, Special Items & Transfers					1,021,257.14	15,175.80
Change in Net Assets					22,665.35	(6,446.75)
Net Assets (Deficit) - Beginning of Year					5,449,306.00	4,720,344.33
Net Assets (Deficit) - End of Year					\$ 5,471,971.35	\$ 4,713,897.58

The notes are an integral part of the statements.

City of Mariette
Balance Sheet
Governmental Funds
June 30, 2006

	Major Special Revenue Funds							Major Capital Project Funds				
	General Fund	Major Street	Local Street	Municipal Street	Downtown Development Authority	Local Development Finance Authority		County Fair Days	Debt Service Fund	Cemetery Memorial Chapel	Train Depot Restoration	Total Governmental Funds
Assets												
Cash & C of D's	\$ 18,770.27	\$ 53,653.91	\$ 1,865.41	\$ 139,249.91	\$ 191,297.06	\$ 95,116.90	\$ 16,386.32	\$ -	\$ -	\$ 2,503.11	\$ 226.27	\$ 519,069.16
Receivables:												
Accounts Receivable	796.53	-	-	-	-	-	-	4,616.80	-	-	-	5,413.33
Sales Tax	30,558.00	-	-	-	-	-	-	-	-	-	-	30,558.00
Grant	-	-	-	-	-	-	-	-	-	-	13,939.02	13,939.02
Prepaid Expenditures	8,581.20	-	-	-	-	-	-	-	-	-	-	8,581.20
Due from Other Funds	135,585.96	-	-	-	-	26,365.20	-	16,000.00	-	-	-	177,951.16
Total Assets	194,291.96	53,653.91	1,865.41	139,249.91	191,297.06	121,482.10	16,386.32	20,616.80	2,503.11	14,165.29	755,511.87	
Liabilities & Fund Balance												
Liabilities												
Accounts Payable	29,411.61	-	-	7,000.00	-	-	-	52,925.78	-	-	17,423.78	106,761.17
Accrued Payroll	16,200.57	-	-	-	-	-	-	-	-	-	-	16,200.57
Due to Others	-	-	-	-	24,776.00	-	-	-	-	-	-	24,776.00
Due to Other Funds	93,445.12	1,464.27	2,196.42	-	-	-	-	774.99	-	-	-	97,880.80
Total Liabilities	139,057.30	1,464.27	2,196.42	7,000.00	24,776.00	-	-	53,700.77	-	-	17,423.78	245,618.54
Fund Balance												
Fund Balance												
Unreserved - Undesignated	55,234.66	52,189.64	(331.01)	132,249.91	166,521.06	121,482.10	16,386.32	(33,083.97)	2,503.11	-	(3,258.49)	509,893.33
Total Fund Balance	55,234.66	52,189.64	(331.01)	132,249.91	166,521.06	121,482.10	16,386.32	(33,083.97)	2,503.11	-	(3,258.49)	509,893.33
Total Liabilities & Fund Balance	\$ 194,291.96	\$ 53,653.91	\$ 1,865.41	\$ 139,249.91	\$ 191,297.06	\$ 121,482.10	\$ 16,386.32	\$ 20,616.80	\$ 2,503.11	\$ 14,165.29	\$ 755,511.87	

The notes are an integral part of the statements

City of Marlette
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended June 30, 2006

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 770,907.73
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Amounts reported for governmental activities in the statement of
net assets (deficit) are different because:

Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	7,393,939.89
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Long-term bonds payable are not due and payable in the current period and are not reported in the Funds	<u>(2,692,876.27)</u>
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Net Assets of Governmental Activities	<u><u>\$ 5,471,971.35</u></u>
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The notes are an integral part of the statements.

City of Marlette

Statement of Revenues, Expenditures, And Changes in Fund Balances Governmental Funds For The Year Ended June 30, 2006

	Major Special Revenue Funds							Major Capital Project Funds				
	General		Major Street	Local Street	Municipal Street	Downtown Development Authority	Local Development Finance Authority	Country Fair Days	Debt Service Fund	Cemetery Memorial Chapel	Train Depot Restoration	Total Governmental Funds
Revenues												
Taxes	\$ 522,319.16	\$ 8,209.77	\$ 12,314.62	\$ -	\$ 88,372.64	\$ 76,743.86	\$ -	\$ 19,079.64	\$ -	\$ -	\$ -	\$ 727,039.69
Intergovernmental Revenues	243,437.50	129,925.81	38,194.76	60,615.16	-	-	-	-	-	-	-	472,173.23
Licenses, Permits, & Fines	30,166.06	-	-	-	-	-	-	-	-	-	-	30,166.06
Charges for Services/Capital Charges	78,152.41	-	-	-	-	-	455.00	-	-	-	-	78,607.41
Cemetery/Parks & Recreation	52,857.45	-	-	-	-	-	-	-	-	-	-	52,857.45
Interest Earnings	15,253.65	1,062.12	164.92	3,246.15	3,748.21	1,266.31	465.32	1,121.11	116.92	-	-	26,444.71
Loan Proceeds	-	-	-	-	-	-	-	-	-	-	40,255.06	40,255.06
Grant Proceeds	11,670.60	-	-	-	-	21,832.92	-	-	-	149,848.11	-	183,351.63
Bond Recovery	-	-	-	-	-	-	-	54,988.07	-	-	-	54,988.07
Donations & Contributions	-	-	-	-	-	-	7,089.80	-	6,509.00	-	-	13,598.80
Other Revenue	15,970.08	42.24	42.24	-	29.76	-	3,852.57	-	-	225.27	-	20,162.16
Total Revenues	969,826.91	139,239.94	50,716.54	63,861.31	92,150.61	99,843.09	11,862.69	75,188.82	6,625.92	190,328.44	-	1,699,644.27
Expenditures												
General Government	252,705.41	-	-	-	-	-	-	350.00	4,103.00	-	-	257,158.41
Public Safety	391,512.49	-	-	-	-	-	-	-	-	-	-	391,512.49
Public Works	152,029.32	65,520.58	54,178.13	-	42,921.19	29,979.55	-	-	-	199,172.79	-	543,801.56
Recreation & Culture	88,242.93	-	-	-	-	-	8,239.78	-	-	-	-	96,482.71
Capital Outlay	-	-	-	7,000.00	-	-	-	-	9,376.63	-	-	16,376.63
Debt Service - Principal	5,785.00	40,000.00	-	-	25,000.00	26,616.73	-	50,000.00	-	-	-	147,401.73
Debt Service - Interest	2,074.18	26,162.50	-	-	20,502.50	3,761.05	-	87,662.50	-	-	-	140,162.73
Total Expenditures	892,349.33	131,683.08	54,178.13	7,000.00	88,423.69	60,357.33	8,239.78	138,012.50	13,479.63	199,172.79	-	1,592,896.26
Excess Of Revenues Over (Under) Expenditures	77,477.58	7,556.86	(3,461.59)	56,861.31	3,726.92	39,485.76	3,622.91	(62,823.68)	(6,853.71)	(8,844.35)	-	106,748.01
Other Financing Sources (Uses)												
Operating Transfers In (Out)	(68,865.34)	3,500.00	3,600.00	(7,100.00)	-	65,952.23	-	-	3,876.63	-	-	963.52
Excess Of Revenues & Other Sources Over (Under) Expenditures & Other Uses	8,612.24	11,056.86	138.41	49,761.31	3,726.92	105,437.99	3,622.91	(62,823.68)	(2,977.08)	(8,844.35)	-	107,711.53
Fund Balance - Beginning of Year	46,622.42	41,132.78	(469.42)	82,488.60	162,794.14	16,044.11	12,763.41	29,739.71	5,480.19	5,585.86	-	396,595.94
Fund Balance - End of Year	\$ 55,234.66	\$ 52,189.64	\$ (331.01)	\$ 132,249.91	\$ 166,521.06	\$ 121,482.10	\$ 16,386.32	\$ (33,083.97)	\$ 2,503.11	\$ (3,258.49)	\$ -	\$ 504,307.47

The notes are an integral part of the statements

City of Marlette
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds & Equipment Fund \$ 69,905.36

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 16,376.63

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) 147,401.73

Depreciation is an Expenditure for the Statement of
Activities, but is not reported in the Governmental Funds (211,018.37)

Net Assets of Governmental Activities \$ 22,665.35

City of Marlette
Statement of Net Assets (Deficit)
Proprietary Funds
June 30, 2006

	Enterprise Funds		Totals	Internal
	Water	Sewer	Enterprise	Service
Assets	Fund	Fund	Funds	Fund
				Equipment
<u>Current Assets</u>				
Cash	\$ 33,614.42	\$ 30,047.80	\$ 63,662.22	\$ 16,008.47
Accounts Receivable	21,041.00	49,055.78	70,096.78	-
Due From Other Funds	80,700.00	-	80,700.00	-
Prepaid Expenditures	1,895.48	1,880.37	3,775.85	-
<u>Total Current Assets</u>	<u>137,250.90</u>	<u>80,983.95</u>	<u>218,234.85</u>	<u>16,008.47</u>
<u>Capital Assets</u>				
Land	5,125.00	16,100.00	21,225.00	15,857.50
Equipment	-	-	-	656,581.00
Sewer System	-	7,019,909.69	7,019,909.69	-
Water System	1,082,600.11	-	1,082,600.11	-
<u>Total Capital Assets</u>	<u>1,087,725.11</u>	<u>7,036,009.69</u>	<u>8,123,734.80</u>	<u>672,438.50</u>
Less: Accumulated Depreciation	447,916.51	2,633,112.99	3,081,029.50	419,248.17
<u>Net Capital Assets</u>	<u>639,808.60</u>	<u>4,402,896.70</u>	<u>5,042,705.30</u>	<u>253,190.33</u>
Restricted Cash - Bond Reserve	-	17,557.65	17,557.65	-
Total Assets	777,059.50	4,501,438.30	5,278,497.80	269,198.80
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	67,818.71	35,004.00	102,822.71	-
Due To Other Funds	-	152,039.96	152,039.96	8,184.40
Current Portion of Long-Term Liabilities	18,829.00	4,000.00	22,829.00	-
Total Current Liabilities	86,647.71	191,043.96	277,691.67	8,184.40
<u>Long-Term Liabilities</u>				
Revenue Bonds, Contract Purchases, & Notes Payable	125,737.55	184,000.00	309,737.55	-
Less: Current Portion of Long-Term Debt	-	-	-	-
Shown Above	18,829.00	4,000.00	22,829.00	-
<u>Total Liabilities</u>	<u>193,556.26</u>	<u>371,043.96</u>	<u>564,600.22</u>	<u>8,184.40</u>
<u>Net Assets</u>				
Invested in Capital Assets Net of Related Debt	514,071.05	4,202,796.70	4,716,867.75	253,190.33
Unreserved Earnings	69,432.19	(72,402.36)	(2,970.17)	7,824.07
<u>Total Net Assets</u>	<u>\$ 583,503.24</u>	<u>\$ 4,130,394.34</u>	<u>\$ 4,713,897.58</u>	<u>\$ 261,014.40</u>

City of Marlette
Statement of Revenues, Expenses, And Changes in Net Assets
Proprietary Funds
June 30, 2006

	Enterprise Funds		Total	Internal
	Water	Sewer	Enterprise	Service
	Fund	Fund	Funds	Fund
				Equipment
<u>Operating Revenues</u>				
Charges for Sales & Services	\$ 202,888.86	\$ 460,379.87	\$ 663,268.73	\$ 68,531.85
Tap-in Fees & Installation Fines	6,300.00	4,800.00	11,100.00	-
Penalties & Meter Fines	5,256.93	12,577.51	17,834.44	-
<u>Total Operating Income</u>	<u>214,445.79</u>	<u>477,757.38</u>	<u>692,203.17</u>	<u>68,531.85</u>
<u>Operating Expenses</u>				
Salaries, Wages, & Administration	72,581.94	43,889.12	116,471.06	15,873.48
Fringe Benefits/Payroll Taxes	38,184.28	25,432.93	63,617.21	8,270.91
Depreciation	24,289.86	135,063.04	159,352.90	47,078.60
Repairs & Maintenance	7,868.78	21,806.98	29,675.76	13,677.03
Chemicals & Supplies	1,029.69	4,219.77	5,249.46	14,488.56
Utilities & Telephone	12,877.06	-	12,877.06	5,613.75
Professional Services & Testing	4,804.37	2,201.67	7,006.04	200.00
Plant Supervision & Operation	-	284,891.28	284,891.28	-
Insurance & Bonds	800.00	6,348.42	7,148.42	3,322.55
Equipment Rental	7,034.07	2,239.29	9,273.36	-
Miscellaneous	3,356.02	325.90	3,681.92	659.50
<u>Total Operating Expenses</u>	<u>172,826.07</u>	<u>526,418.40</u>	<u>699,244.47</u>	<u>109,184.38</u>
<u>Operating Income (Loss)</u>	<u>41,619.72</u>	<u>(48,661.02)</u>	<u>(7,041.30)</u>	<u>(40,652.53)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest Earned	3,206.04	1,604.03	4,810.07	1,074.45
Bond & Contract Interest	(6,121.25)	(8,460.00)	(14,581.25)	(363.20)
Grant Proceeds	-	-	-	-
Sale of Fixed Assets	-	-	-	94.30
Reimbursements & Other Revenue	8,983.68	1,382.05	10,365.73	2,040.81
Change in Net Assets	47,688.19	(54,134.94)	(6,446.75)	(37,806.17)
<u>Net Assets - Beginning of Year</u>	<u>535,815.05</u>	<u>4,184,529.28</u>	<u>4,720,344.33</u>	<u>298,820.57</u>
<u>Net Assets - End of Year</u>	<u>\$ 583,503.24</u>	<u>\$ 4,130,394.34</u>	<u>\$ 4,713,897.58</u>	<u>\$ 261,014.40</u>

City of Marlette
Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2006

	<u>Enterprise Funds</u>		<u>Totals</u>	<u>Internal</u>
	<u>Water</u>	<u>Sewer</u>	<u>Enterprise</u>	<u>Service</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>
				<u>Equipment</u>
<u>Cash Flow From Operating Activities</u>				
Receipts from Customers	\$ 219,553.79	\$ 480,961.60	\$ 700,515.39	\$ 68,531.85
Payments for Operation, Maintenance, & Water	34,467.97	(305,284.26)	(270,816.29)	(33,979.34)
Payments for General & Administration	(114,922.24)	(75,996.37)	(190,918.61)	(28,126.44)
<u>Net Cash Provided by Operating Activity</u>	139,099.52	99,680.97	238,780.49	6,426.07
<u>Cash Flows from Noncapital Financing Activities</u>				
Other Nonoperating Revenues	8,983.68	1,382.05	10,365.73	2,040.81
Interfund Due To/From	(80,700.00)	136,039.96	55,339.96	-
<u>Net Cash Provided by Noncapital Financing Activities</u>	(71,716.32)	137,422.01	65,705.69	2,040.81
<u>Cash Flows from Capital & Related Financing Activities</u>				
Interest Expense	(6,121.25)	(8,460.00)	(14,581.25)	(363.20)
Receipt of Capital Contributions	-	-	-	-
Increase (Decrease) in Long - Term Debt	(18,060.00)	(4,000.00)	(22,060.00)	(16,587.78)
Purchase of Capital Assets	(102,486.52)	(213,165.30)	(315,651.82)	-
Sale of Fixed Assets	-	-	-	94.30
Increase in Restricted Assets	-	669.32	669.32	-
<u>Net Cash Provided by Capital & Related Financing Activities</u>	(126,667.77)	(224,955.98)	(351,623.75)	(16,856.68)
<u>Cash Flows from Investing Activities</u>				
Increase in Customer Deposits	-	-	-	-
Interest Received on Investments	3,206.04	934.71	4,140.75	1,074.45
<u>Net Cash Provided by Investing Activities</u>	3,206.04	934.71	4,140.75	1,074.45
<u>Net Increase (Decrease) in Cash & Cash Equivalents</u>	(56,078.53)	13,081.71	(42,996.82)	(7,315.35)
<u>Cash & Cash Equivalents - Beginning of Year</u>	89,692.95	34,523.74	124,216.69	23,323.82
<u>Cash & Cash Equivalents - End of Year</u>	\$ 33,614.42	\$ 47,605.45	\$ 81,219.87	16,008.47
<u>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</u>				
Operating Income (Loss)	41,619.72	(48,661.02)	(7,041.30)	(40,652.53)
Adjustments to Reconcile Operating Income (Loss) from Operating Activities:				
Depreciation	24,289.86	135,063.04	159,352.90	47,078.60
Changes in Assets & Liabilities:				
Receivables	5,108.00	3,204.22	8,312.22	-
Accounts Payable	68,081.94	10,074.73	78,156.67	-
<u>Net Cash Provided by Operating Activities</u>	\$ 139,099.52	\$ 99,680.97	\$ 238,780.49	\$ 6,426.07

City of Marlette
Statement of Net Assets (Deficit)
Fiduciary Funds
June 30, 2006

<u>Assets</u>	<u>Trust Fund</u>	<u>Agency Funds</u>
Cash & Certificate of Deposit	\$ 76,143.14	\$ 813.68
<u>Total Assets</u>	76,143.14	<u>\$ 813.68</u>
 <u>Liabilities</u>		
Due To General Fund	-	\$ 546.00
Due To Other Governmental Agencies	-	267.68
<u>Total Liabilities</u>	-	<u>\$ 813.68</u>
 <u>Net Assets</u>		
Held in Trust for Cemetery Perpetual Care	71,468.14	
Unreserved - Undesignated	4,675.00	
<u>Total Net Assets</u>	<u>\$ 76,143.14</u>	

The notes are an integral part of the statements.

City of Marlette
Other Supplemental Information
Statement of Changes in Net Assets
Fiduciary Funds
June 30, 2006

	Trust Fund
<u>Additions</u>	
Interest Income - Perpetual Care	\$ 963.52
Sale of Lots - Perpetual Care	620.00
<u>Total Additions</u>	<u>1,583.52</u>
<u>Deductions</u>	
Contribution To (From) Other Funds	963.52
<u>Total Deductions</u>	<u>963.52</u>
<u>Net Increase</u>	620.00
<u>Net Assets - Beginning of Year</u>	<u>75,523.14</u>
<u>Net Assets - End of Year</u>	<u>\$ 76,143.14</u>

City of Marlette

Notes to the Financial Statements
For The Year Ended June 30, 2006

The accounting methods and procedures adopted by the City of Marlette, Sanilac County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Marlette was incorporated under the laws of the State of Michigan and operates as a General Law City, with a City Council form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Marlette (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Blended Component Units - The Downtown Development Authority (DDA) of the City of Marlette, an entity legally separate from the City, is governed by an eight-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Local Street Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through State-shared gas and weight taxes.

Municipal Street Fund - The Municipal Street Fund is funded by a five-year, county-wide millage. Money received is to be used for maintenance and improvement of City streets.

Downtown Development Authority Fund (a Special Revenue Fund type) - The Downtown Development Authority's purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Local Development Finance Authority Fund - The LDFA captures increment taxes in the LDFA area. These captured taxes are to finance and provide assistance for the development of this given area.

Debt Service Fund - The Debt Service Fund accounts for all debt payments made regarding the 1999 Waste Water Disposal Bonds.

Cemetery Memorial Chapel Capital Project Fund - The Cemetery Memorial Chapel Fund is for the purpose of collecting funds to be used in the construction of a memorial chapel in the Marlette cemetery.

Train Depot Restoration Capital Project Fund - This fund receives funds from a State Grant for the restoration of the Marlette Train Depot.

The City reports the following major Enterprise Funds & Internal Service Fund:

Water Fund - The Water Fund accounts for the activities of the water distribution system. Funding is provided primarily through user charges.

Sewer Fund - The Sewer Fund accounts for the activities of the sewage disposal system. Fund is provided primarily through user charges.

Equipment Fund (Internal Service Fund) - This fund was established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Additionally, the City reports the following fund types:

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The City does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, and Other Compensated Absences - Vacation days are earned by employees at a rate from four to fifteen days per year with unused days at year-end being forfeited. Sick days are earned by employees at a rate of fifteen days per year. A maximum of 90 unused sick days may be accumulated by an employee. Retiring employees are paid half of the accumulated sick days.

The estimated maximum contingent liability for these benefits (calculated at current pay rates) as of June 30, 2006 is approximately \$68,948.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 to 50 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 20 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 - Effective July 1, 2003, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the City's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the City's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the City's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the City. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

2. Stewardship, Compliance, and Accountability

Budgetary Information - The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Prior to July 1, the City Supervisor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior July 1, the budget is legally enacted.
4. The budget is used by the City Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, and as amended by the City Council.

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget was adopted at the department level. Budgets for these funds are shown in the supplemental schedules to this statement.

During the year ended June 30, 2006, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Elections	\$ -	\$ 561	\$ 561
Board of Review	600	623	23
Building & Grounds	25,450	25,706	256
Cemetery	48,900	65,194	16,294
Wellhead Protection	-	12,267	12,267
Refuse Collection	91,550	98,219	6,669
Street Lighting	30,000	39,630	9,630
Parks & Recreation	66,750	76,811	10,061
Parks & Recreation	63,360	79,518	16,158
Community Promotion	7,500	11,432	3,932
Debt Service - Principal	-	5,785	5,785
Debt Service - Interest	-	2,074	2,074
Major Streets Fund			
Routine Maintenance	16,700	27,954	11,254
Traffic Services	2,875	3,655	780
Street Sweeping	3,475	3,680	205
Local Street Fund			
Routine Maintenance	19,825	29,538	9,713
Municipal Street Fund			
Capital Outlay	-	7,000	7,000
Transfers Out	5,000	7,100	2,100
Downtown Development Authority Fund			
Administration	7,800	16,339	8,539
Office Supplies	1,100	15,960	14,860
Professional Services	500	5,957	5,457
Equipment Rent	2,000	3,715	1,715
Country Fair Days Fund			
Public Works	5,900	8,240	2,340
Debt Service Fund			
Miscellaneous Fees	-	350	350
Debt Service - Principal	-	87,663	87,663
Cemetery Memorial Chapel			
Miscellaneous	-	4,103	4,103
Capital Outlay	-	9,377	9,377
Train Depot Restoration Capital Project Fund			
Construction in Progress	-	199,173	199,173

City of Marlette

Notes to the Financial Statements
For The Year Ended June 30, 2006

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The City Council has designated three banks for the deposit of City funds. The investment policy adopted by the council was in accordance with Public Act 196 of 1997. The Council has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The City's deposits are in accordance with statutory authority. All cash deposits and investments of the City are held by the City in the City's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary - Trust & Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 519,069	\$ 79,671	\$ 76,957	\$ 675,697

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	\$ 675,697

The bank balance of the primary government's deposits is \$675,697, of which \$100,000 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the City's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

	<u>Category</u>			<u>Carrying Value</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	
Investments	\$ NONE	\$ NONE	\$ NONE	\$ NONE

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1 Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

4. Capital Assets

Capital Assets activity of the City's governmental activities (and business-type) was as follows:

	Balance July 1, 2005	Additions	Disposals & Adjustments	Balance June 30, 2006
Governmental Activities:				
Capital Assets not being Depreciated	\$ 221,358	\$ -	\$ -	\$ 221,358
Capital Assets Being Depreciated:				
Infrastructure	1,078,015	7,000	-	1,085,015
Buildings & Improvements	7,694,450	9,377	-	7,703,827
Machinery & Equipment - General	91,152	-	-	91,152
Equipment - Internal Service Fund	656,581	-	-	656,581
Total Capital Assets being Depreciated	9,520,198	16,377	-	9,536,575
Accumulated Depreciation:				
Infrastructure	10,781	21,701	-	32,482
Buildings & Improvements	1,435,357	261,942	-	1,697,299
Machinery & Equipment - General	34,595	13,003	-	47,598
Equipment - Internal Service Fund	372,169	47,079	-	419,248
Total Accumulated Depreciation	1,852,902	343,725	-	2,196,627
Net Capital Assets being Depreciated	\$ 7,667,296	\$ (327,348)	\$ -	\$ 7,339,948
Business-type Activities:				
Capital Assets not being Depreciated - Sewer	\$ 16,100	\$ -	\$ -	\$ 16,100
Capital Assets not being Depreciated - Water	5,125	-	-	5,125
Capital Assets Being Depreciated:				
Sewer Fund	7,019,910	-	-	7,019,910
Water Fund	980,114	-	-	980,114
Total Capital Assets being Depreciated	8,000,024	-	-	8,000,024
Accumulated Depreciation:				
Sewer Fund	2,498,050	135,063	-	2,633,113
Water Fund	423,627	24,290	-	447,917
Total Accumulated Depreciation	2,921,677	159,353	-	3,081,030
Net Capital Assets being Depreciated	\$ 5,094,447	\$ (159,353)	\$ -	\$ 4,918,994

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 62,898
Public Safety	2,070
Public Works	278,757
Total Governmental Activities	<u>\$ 343,725</u>
Business-type Activities:	
Sewer Fund	\$ 135,063
Water Fund	24,290
Total Business-type Activities	<u>\$ 159,353</u>

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

5. Property Taxes

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The City levied the following taxes:

General Government Services	14.7536	mills
Highway	0.6418	mills
Cemetery	<u>0.9110</u>	mills
<u>General Operation</u>	16.3064	mills
Debt Retirement - 1990 Wastewater Bonds	<u>0.5465</u>	mills
<u>Total</u>	<u><u>16.8529</u></u>	mills

6. Due To/From Other Funds

As of June 30, 2006, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>		<u>Due To Other Funds</u>
General Fund	\$ 127,586	Tax Account	\$ 546
		Sewer Fund	127,040
Water Fund	80,700	Sewer Fund	9,000
		General Fund	71,700
Debt Service Fund	16,000	Sewer Fund	16,000
LDFA Fund	26,364	General Fund	13,745
		Local Streets Fund	2,196
		Major Streets Fund	1,464
		Debt Service Fund	775
		Equipment Fund	<u>8,184</u>
Total	<u>\$ 250,650</u>		<u>\$ 250,650</u>

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

7. Long Term Debt

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
General Obligation Bonds & Contracts						
2002 Installment Purchase Contract for City / Township Building						
Amount of Issue - \$62,650		\$2,888 -				
Maturing through 2012	4.46%	\$3,755	\$ 46,586	\$ (5,785)	\$ 40,801	\$ 6,101
1999 Installment Purchase Contract for Euclid & Sterling Street Improv's						
Amount of Issue \$100,000		\$5,174 -				
Maturing through 2003	4.25%	\$5,998	\$ 46,880	\$ (11,509)	\$ 35,371	\$ 10,913
1999 Installment Purchase Contract for 3394 S. Main Street						
Amount of Issue - \$64,500		\$3,303 -				
Maturing through 2009	4.25%	\$3,829	\$ 30,801	\$ (6,676)	\$ 24,125	\$ 6,966
2001 MI Transportation Fund Bonds						
Amount of Issue - \$700,000		\$40,000 -				
Maturing through 2016	4.55%	\$65,000	\$ 595,000	\$ (40,000)	\$ 555,000	\$ 40,000
1999 Installment Purchase Contract for 3391 S. Main Street						
Amount of Issue - \$80,000		\$4,174 -				
Maturing through 2009	4.25%	\$4,851	\$ 36,011	\$ (8,432)	\$ 27,579	\$ 8,803
2000 Installment Note Payable for Elgin Street Sweeper						
Amount of Issue - \$142,000		\$6,805 -				
Maturing through 2005	5.45%	\$7,994	\$ 16,588	\$ (16,588)	\$ -	\$ -
1999 Waste Water Disposal Limited Tax General						
Amount of Issue - \$2,080,000	3.90% -	\$50,000 -				
Maturing through 2028	5.15%	\$100,000	\$ 1,790,000	\$ (50,000)	\$ 1,740,000	\$ 50,000
Downtown Development Authority Obligations						
1994 Down Development Bond						
Amount of Issue - \$450,000	6.70% -	\$25,000 -				
Maturing through 2013	7.00%	\$50,000	\$ 295,000	\$ (25,000)	\$ 270,000	\$ 30,000
Total Governmental Activities			\$ 2,856,866	\$ (163,990)	\$ 2,692,876	\$ 152,783
Business-type Activities						
General Obligation Bonds & Contracts						
2001 Purchase Contract for Water Main Installation						
Amount of Issue - \$194,000		\$18,060 -				
Maturing through 2011	4.20%	\$23,194	\$ 143,797	\$ (18,060)	\$ 125,737	\$ 18,829
1994 Sewer Revenue Bonds						
Amount of Issue - \$210,000		\$2,000 -				
Maturing through 2034	4.50%	\$10,000	\$ 188,000	\$ (4,000)	\$ 184,000	\$ 4,000
Total Business-type Activities			\$ 331,797	\$ (22,060)	\$ 309,737	\$ 22,829
Total			<u>\$ 3,188,663</u>	<u>\$ (186,050)</u>	<u>\$ 3,002,613</u>	<u>\$ 175,612</u>

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Fiscal Year End June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 152,783	\$ 134,264	\$ 287,047	\$ 22,829	\$ 13,632	\$ 36,779
2008	159,194	126,912	286,106	23,631	12,651	36,282
2009	170,703	119,069	289,772	24,456	11,645	36,101
2010	150,485	110,826	261,311	25,338	10,584	35,922
2011-2015	739,711	430,368	1,170,079	65,483	38,927	104,410
2016-2020	545,000	268,177	813,177	28,000	31,230	59,230
2021-2025	485,000	148,330	633,330	40,000	23,400	63,400
2026-2030	290,000	30,127	320,127	40,000	14,400	54,400
2031-2034	-	-	-	40,000	4,500	44,500
Total	\$ 2,692,876	\$ 1,368,073	\$ 4,060,949	\$ 309,737	\$ 160,969	\$ 471,024

8. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

The following funds had a deficit fund balance as of June 30, 2006:

Local Street Fund	\$ 331
Debt Service Fund	\$ 33,084
Train Depot Restoration Capital Project Fund	\$ 3,258

9. Comparative Data

Comparative total data for the prior year have not been presented in the accompanying financial statements.

10. Post Employment Benefits

The City does not provide any post employment benefits other than the retirement benefits.

11. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

12. Interfund Transfers In (Out)

During the year ended June 30, 2006 the City's interfund transfers were as follows:

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Local Street Fund	\$ 3,600	Municipal Street Fund	\$ 3,600
Major Street Fund	3,500	Municipal Street Fund	3,500
LDFA Fund	65,952	General Fund	65,952
Cemetery Memorial Chapel	3,877	General Fund	3,877
General Fund	963	Perpetual Care Fund	963
Total	<u>\$ 77,892</u>		<u>\$ 77,892</u>

13. City of Marlette Economic Development Corporation

The purpose of this organization is essentially to act in an agent capacity to obtain lower interest government bond financing for labor-oriented organizations in the community or coming into the community for the express purpose of alleviating and preventing conditions of unemployment. Economic Development Revenue Bonds outstanding as of June 30, 2006 were \$-0-. During this fiscal year ended June 30, 2006 minor expenditures of the City of Marlette Economic Development Corporation were absorbed by the General Fund of the reporting entity.

14. Pension Plan

The City Provides pension benefits for all of its full-time employees, with one year of service. Employees are eligible to participate from the date of employment. The City contributes an amount equal to 7.89% for full time employees. The City changed from ICMA 401 plan, which was a defined contribution plan, to MERS, which is a defined benefit plan. A defined benefit plan establishes the benefits to be paid at retirement and an actuary determines the contribution amount needed to provide for the employees' retirement benefits. The City contributes 7.89% of gross wages and the employees match with 5.00%. The MERS program started April 1, 2006.

The City's total payroll for the fiscal year ended June 30, 2006, was \$540,660. The City's contributions were calculated using the salary amount of \$420,178. The City made the required 9% contribution on \$324,954 of wages before it switched to MERS, and 7.89% on the remaining \$95,584 for a total of \$36,698.

15. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City's financial statements.

City of Marlette
Notes to the Financial Statements
For The Year Ended June 30, 2006

16. Contingencies

- 1) The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department real estate mortgage dated December 22, 1999. The real estate mortgage was used to purchase commercial property and construct a fire hall for the storage of fire equipment. As of June 30, 2006, the outstanding balance of the real estate mortgage is in the amount of \$530,160.

The City of Marlette and Marlette Township have guaranteed the Marlette Community Fire Department commercial promissory note dated December 7, 2001. The promissory note was used to purchase a fire department ladder truck. As of June 30, 2006, the outstanding balance of the promissory note is in the amount of \$53,339.

- 2) The City of Marlette entered into an agreement with the Michigan Department of Transportation. The City is to receive a grant in the amount of \$320,000 for the purpose of restoring the historic Train Depot in Marlette. The City agreed to provide a local match of \$80,000. This match money is to be provided by the Marlette Historical Society. The Historical Society is liable for the balance of the match money and the City will be responsible to properly maintain the Depot in such a manner as to preserve the historical integrity of the features, materials, appearance, workmanship, and environment from the date of the agreement forward. Should the City not preserve the historical integrity of the Depot, the City would be required to repay the grant in full.
- 3) The City of Marlette received a State Community Development Block Grant for the purpose of constructing an Industrial Park. The State Grant received by the City was \$655,350. The grant is expected to create 66 jobs. At least 51 percent of the 66 created jobs or 34 jobs shall be made available to, or held by, low and moderate-income persons. If less than 66 jobs are created, the City shall repay a portion of the grant to the State equal to \$10,000 per job, beginning after the term of work performance ends and official closeout of the grant as of January 1, 2008.

Required Supplemental Information

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Property Taxes	\$ 539,750.00	\$ 539,750.00	\$ 522,319.16	(17,430.84)
Intergovernmental Revenues	246,200.00	246,200.00	243,437.50	(2,762.50)
Licenses, Permits, & Fines	29,250.00	29,250.00	30,166.06	916.06
Cemetery	24,000.00	24,000.00	30,200.00	6,200.00
Park & Recreation	21,050.00	21,050.00	22,657.45	1,607.45
Charges for Services				
Rubbish Collection	68,000.00	68,000.00	67,848.96	(151.04)
Fire Calls / Protection	10,000.00	10,000.00	9,550.00	(450.00)
Other Charges for Services	500.00	500.00	753.45	253.45
Interest Earnings	2,500.00	2,500.00	15,253.65	12,753.65
Grant Proceeds	7,780.00	7,780.00	11,670.60	3,890.60
Other Revenue	<u>32,750.00</u>	<u>32,750.00</u>	<u>15,970.08</u>	<u>(16,779.92)</u>
<u>Total Revenues</u>	<u>\$ 981,780.00</u>	<u>\$ 981,780.00</u>	<u>\$ 969,826.91</u>	<u>\$ (11,953.09)</u>

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Expenditures</u>				
<u>Legislative</u>				
Council	\$ 11,500.00	\$ 11,500.00	\$ 9,649.37	\$ 1,850.63
<u>General Government</u>				
Administration	31,600.00	31,600.00	26,193.00	5,407.00
Elections	-	-	560.90	(560.90)
Professional Services	9,500.00	9,500.00	6,732.06	2,767.94
Assessor	10,000.00	10,000.00	9,007.00	993.00
Clerk	96,266.00	96,266.00	85,652.19	10,613.81
Board of Review	600.00	600.00	623.35	(23.35)
Treasurer	25,800.00	25,800.00	23,387.48	2,412.52
Building & Grounds	25,450.00	25,450.00	25,706.24	(256.24)
Cemetery	48,900.00	48,900.00	65,193.82	(16,293.82)
Miscellaneous	-	-	-	-
<u>Total General Government</u>	<u>248,116.00</u>	<u>248,116.00</u>	<u>243,056.04</u>	<u>5,059.96</u>
<u>Public Safety</u>				
Police Department	361,450.00	361,450.00	333,557.49	27,892.51
Fire Department	60,000.00	60,000.00	57,821.00	2,179.00
Planning Commission	17,550.00	17,550.00	67.00	17,483.00
Zoning Board of Appeals	1,000.00	1,000.00	67.00	933.00
<u>Total Public Safety</u>	<u>440,000.00</u>	<u>440,000.00</u>	<u>391,512.49</u>	<u>48,487.51</u>
<u>Public Works</u>				
Sidewalks	11,500.00	11,500.00	1,913.10	9,586.90
Wellhead Protection	-	-	12,267.27	(12,267.27)
Refuse Collection	91,550.00	91,550.00	98,218.96	(6,668.96)
Street Lighting	30,000.00	30,000.00	39,629.99	(9,629.99)
<u>Total Public Works</u>	<u>133,050.00</u>	<u>133,050.00</u>	<u>152,029.32</u>	<u>(18,979.32)</u>
<u>Recreation & Culture</u>				
Parks & Recreation	66,750.00	66,750.00	76,811.40	(10,061.40)
Community Promotion	7,500.00	7,500.00	11,431.53	(3,931.53)
<u>Total Cemetery, Parks, & Recreation</u>	<u>74,250.00</u>	<u>74,250.00</u>	<u>88,242.93</u>	<u>(13,992.93)</u>
<u>Capital Outlay</u>	<u>1,000.00</u>	<u>1,000.00</u>	<u>-</u>	<u>1,000.00</u>
<u>Debt Service - Principal</u>	<u>-</u>	<u>-</u>	<u>5,785.00</u>	<u>(5,785.00)</u>
- Interest	<u>-</u>	<u>-</u>	<u>2,074.18</u>	<u>(2,074.18)</u>
<u>Total Expenditures</u>	<u>907,916.00</u>	<u>907,916.00</u>	<u>892,349.33</u>	<u>15,566.67</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>73,864.00</u>	<u>73,864.00</u>	<u>77,477.58</u>	<u>3,613.58</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	750.00	750.00	(68,865.34)	(69,615.34)
<u>Excess of Revenues & Other Sources Over (Under)</u>				
<u>Expenditures & Other Uses</u>	<u>74,614.00</u>	<u>74,614.00</u>	<u>8,612.24</u>	<u>(66,001.76)</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>46,622.42</u>	<u>46,622.42</u>
<u>Fund Balance - End of Year</u>	<u>\$ 74,614.00</u>	<u>\$ 74,614.00</u>	<u>\$ 55,234.66</u>	<u>\$ (19,379.34)</u>

City of Marlette

Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
For The Year Ended June 30, 2006

	Major Street Fund			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Property Taxes	\$ 8,825.00	\$ 8,825.00	\$ 8,209.77	\$ (615.23)
State Shared Revenue - Gas & Weight Tax	115,000.00	115,000.00	110,450.37	(4,549.63)
State Truck Line Maintenance	12,500.00	12,500.00	15,687.95	3,187.95
Build MI Local Roads Program	300.00	300.00	3,787.49	3,487.49
Interest Income	1,000.00	1,000.00	1,062.12	62.12
Miscellaneous	-	-	42.24	42.24
Total Revenues	137,625.00	137,625.00	139,239.94	1,614.94

Expenditures				
Routine Maintenance	16,700.00	16,700.00	27,954.54	(11,254.54)
Snow & Ice Removal	12,450.00	12,450.00	9,253.42	3,196.58
Traffic Services	2,875.00	2,875.00	3,654.88	(779.88)
Street Sweeping	3,475.00	3,475.00	3,679.72	(204.72)
Trunk Line Maintenance	14,450.00	14,450.00	9,036.69	5,413.31
Administration	12,300.00	12,300.00	11,941.33	358.67
Capital Outlay	-	-	-	-
Debt Service - Principal	40,000.00	40,000.00	40,000.00	-
Debt Service - Interest	39,000.00	39,000.00	26,162.50	12,837.50
Total Expenditures	141,250.00	141,250.00	131,683.08	9,566.92

Excess of Revenues Over (Under) Expenditures
Other Financing Sources (Uses) Operating

	(3,625.00)	(3,625.00)	7,556.86	11,181.86
Other Financing Sources (Uses)				
Operating Transfers In (Out)	5,000.00	5,000.00	3,500.00	(1,500.00)

Excess of Revenues & Other Sources
Over (Under) Expenditures & Other Uses

	1,375.00	1,375.00	11,056.86	9,681.86
Fund Balance - Beginning of Year	-	-	41,132.78	41,132.78
Fund Balance - End of Year	1,375.00	1,375.00	52,189.64	50,814.64

	Local Street Fund			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	
	\$ 13,238.00	\$ 13,238.00	\$ 12,314.62	\$ (923.38)
	38,000.00	38,000.00	36,928.53	(1,071.47)
	-	-	-	-
	1,200.00	1,200.00	1,266.23	66.23
	500.00	500.00	164.92	(335.08)
	-	-	42.24	42.24
	52,938.00	52,938.00	50,716.54	(2,221.46)

	19,825.00	19,825.00	29,538.35	(9,713.35)
	8,975.00	8,975.00	8,393.41	581.59
	2,310.00	2,310.00	2,127.18	182.82
	8,775.00	8,775.00	3,796.24	4,978.76
	-	-	-	-
	10,350.00	10,350.00	10,322.95	27.05
	-	-	-	-
	-	-	-	-
	-	-	-	-
	50,235.00	50,235.00	54,178.13	(3,943.13)

Excess of Revenues Over (Under) Expenditures
Other Financing Sources (Uses) Operating

	2,703.00	2,703.00	(3,461.59)	(6,164.59)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	-	-	3,600.00	3,600.00

Excess of Revenues & Other Sources
Over (Under) Expenditures & Other Uses

	2,703.00	2,703.00	138.41	(2,564.59)
Fund Balance - Beginning of Year	-	-	(469.42)	(469.42)
Fund Balance - End of Year	2,703.00	2,703.00	(331.01)	(3,034.01)

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Municipal Street Fund
For The Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Intergovernmental Revenues	\$ 68,758.00	\$ 68,758.00	\$ 60,615.16	\$ (8,142.84)
Interest Earnings	1,000.00	1,000.00	3,246.15	2,246.15
<u>Total Revenues</u>	<u>69,758.00</u>	<u>69,758.00</u>	<u>63,861.31</u>	<u>(5,896.69)</u>
<u>Expenditures</u>				
Salaries & Fringes	-	-	-	-
Capital Outlay	-	-	7,000.00	(7,000.00)
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>7,000.00</u>	<u>(7,000.00)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>69,758.00</u>	<u>69,758.00</u>	<u>56,861.31</u>	<u>(12,896.69)</u>
<u>Other Financing Sources (Uses) Operating</u>				
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	(5,000.00)	(5,000.00)	(7,100.00)	(2,100.00)
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>64,758.00</u>	<u>64,758.00</u>	<u>49,761.31</u>	<u>(14,996.69)</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>82,488.60</u>	<u>82,488.60</u>
<u>Fund Balance - End of Year</u>	<u>\$ 64,758.00</u>	<u>\$ 64,758.00</u>	<u>\$ 132,249.91</u>	<u>\$ 67,491.91</u>

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Local Development Finance Authority Fund
For The Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Property Taxes	\$ 33,000.00	\$ 33,000.00	\$ 76,743.86	\$ 43,743.86
Grant Proceeds	-	-	21,832.92	21,832.92
Interest Earnings	1,000.00	1,000.00	1,266.31	266.31
Other Revenue	-	-	-	-
<u>Total Revenues</u>	<u>34,000.00</u>	<u>34,000.00</u>	<u>99,843.09</u>	<u>65,843.09</u>
<u>Expenditures</u>				
Salaries & Administration	29,600.00	29,600.00	20,396.83	9,203.17
Office Supplies	500.00	500.00	261.60	238.40
Professional Services	8,800.00	8,800.00	8,793.41	6.59
Education, Training & Meetings	250.00	250.00	127.71	122.29
Miscellaneous	500.00	500.00	400.00	100.00
Capital Outlay	-	-	-	-
Debt Service - Principal	26,780.00	26,780.00	26,616.73	163.27
Debt Service - Interest	4,220.00	4,220.00	3,761.05	458.95
<u>Total Expenditures</u>	<u>70,650.00</u>	<u>70,650.00</u>	<u>60,357.33</u>	<u>10,292.67</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(36,650.00)</u>	<u>(36,650.00)</u>	<u>39,485.76</u>	<u>76,135.76</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	65,952.23	65,952.23
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>(36,650.00)</u>	<u>(36,650.00)</u>	<u>105,437.99</u>	<u>142,087.99</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>16,044.11</u>	<u>16,044.11</u>
<u>Fund Balance - End of Year</u>	<u>\$ (36,650.00)</u>	<u>\$ (36,650.00)</u>	<u>\$ 121,482.10</u>	<u>\$ 158,132.10</u>

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Downtown Development Authority Fund
For The Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Property Taxes	\$ 120,000.00	\$ 120,000.00	\$ 88,372.64	\$ (31,627.36)
CDBG Grant	-	-	-	-
Interest Income	750.00	750.00	3,748.21	2,998.21
Other Revenue	-	-	29.76	29.76
<u>Total Revenues</u>	<u>120,750.00</u>	<u>120,750.00</u>	<u>92,150.61</u>	<u>(28,599.39)</u>
<u>Expenditures</u>				
Administration	7,800.00	7,800.00	16,338.67	(8,538.67)
Office Supplies	1,100.00	1,100.00	15,959.82	(14,859.82)
Professional Services	500.00	500.00	5,957.00	(5,457.00)
Legal & Accounting	750.00	750.00	500.00	250.00
Education, Training, & Meetings	-	-	-	-
Miscellaneous	1,250.00	1,250.00	450.48	799.52
Equipment Rent - Interdepartment	2,000.00	2,000.00	3,715.22	(1,715.22)
Capital Outlay	5,000.00	5,000.00	-	5,000.00
Debt Service - Principal	25,000.00	25,000.00	25,000.00	-
Debt Service - Interest	24,000.00	24,000.00	20,502.50	3,497.50
<u>Total Expenditures</u>	<u>67,400.00</u>	<u>67,400.00</u>	<u>88,423.69</u>	<u>(21,023.69)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>				
<u>Other Financing Sources (Uses) Operating</u>	53,350.00	53,350.00	3,726.92	(21,023.69)
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	53,350.00	53,350.00	3,726.92	(21,023.69)
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>162,794.14</u>	<u>162,794.14</u>
<u>Fund Balance - End of Year</u>	<u>\$ 53,350.00</u>	<u>\$ 53,350.00</u>	<u>\$ 166,521.06</u>	<u>\$ 141,770.45</u>

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Country Fair Days Fund
For The Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Donations	\$ 5,000.00	\$ 5,000.00	\$ 7,089.80	\$ 2,089.80
Charges For Services	300.00	300.00	455.00	155.00
Interest Income	50.00	50.00	465.32	415.32
Other Revenue	2,500.00	2,500.00	3,852.57	1,352.57
<u>Total Revenues</u>	<u>7,850.00</u>	<u>7,850.00</u>	<u>11,862.69</u>	<u>4,012.69</u>
<u>Expenditures</u>				
Administrative Expense	1,500.00	1,500.00	540.29	959.71
Contracted Services	3,000.00	3,000.00	5,501.10	(2,501.10)
Miscellaneous	1,400.00	1,400.00	2,198.39	(798.39)
<u>Total Expenditures</u>	<u>5,900.00</u>	<u>5,900.00</u>	<u>8,239.78</u>	<u>(2,339.78)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>1,950.00</u>	<u>1,950.00</u>	<u>3,622.91</u>	<u>1,672.91</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	<u>1,950.00</u>	<u>1,950.00</u>	<u>3,622.91</u>	<u>1,672.91</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>12,763.41</u>	<u>12,763.41</u>
<u>Fund Balance - End of Year</u>	<u>\$ 1,950.00</u>	<u>\$ 1,950.00</u>	<u>\$ 16,386.32</u>	<u>\$ 14,436.32</u>

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Debt Service Fund
For The Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Property Taxes	\$ 17,000.00	\$ -	\$ 19,079.64	\$ 19,079.64
Interest Earnings	-	-	1,121.11	1,121.11
Bond Recovery	54,000.00	-	54,988.07	54,988.07
<u>Total Revenues</u>	<u>71,000.00</u>	<u>-</u>	<u>75,188.82</u>	<u>56,109.18</u>
<u>Expenditures</u>				
Miscellaneous Fees	-	-	350.00	(350.00)
Debt Service - Principal	50,000.00	50,000.00	50,000.00	-
Debt Service - Interest	-	-	87,662.50	(87,662.50)
<u>Total Expenditures</u>	<u>50,000.00</u>	<u>50,000.00</u>	<u>138,012.50</u>	<u>(88,012.50)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>21,000.00</u>	<u>(50,000.00)</u>	<u>(62,823.68)</u>	<u>(31,903.32)</u>
<u>Other Financing Sources (Uses) Operating</u>				
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources</u>				
<u>Over (Under) Expenditures & Other Uses</u>	<u>21,000.00</u>	<u>(50,000.00)</u>	<u>(62,823.68)</u>	<u>(31,903.32)</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>29,739.71</u>	<u>29,739.71</u>
<u>Fund Balance - End of Year</u>	<u>\$ 21,000.00</u>	<u>\$ (50,000.00)</u>	<u>\$ (33,083.97)</u>	<u>\$ (2,163.61)</u>

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery Memorial Chapel Capital Project Fund
For The Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Donations & Contributions	\$ 5,000.00	\$ 5,000.00	\$ 6,509.00	\$ 1,509.00
Interest Income	-	-	116.92	116.92
<u>Total Revenues</u>	<u>5,000.00</u>	<u>5,000.00</u>	<u>6,625.92</u>	<u>1,625.92</u>
<u>Expenditures</u>				
Miscellaneous	-	-	4,103.00	(4,103.00)
Capital Outlay - Construction in Progress	-	-	9,376.63	(9,376.63)
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>13,479.63</u>	<u>(13,479.63)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>5,000.00</u>	<u>5,000.00</u>	<u>(6,853.71)</u>	<u>(11,853.71)</u>
<u>Other Financing Sources (Uses) Operating</u>				
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	3,876.63	3,876.63
<u>Excess of Revenues & Other Sources</u> <u>Over (Under) Expenditures & Other Uses</u>	<u>5,000.00</u>	<u>5,000.00</u>	<u>(2,977.08)</u>	<u>(7,977.08)</u>
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>5,480.19</u>	<u>5,480.19</u>
<u>Fund Balance - End of Year</u>	<u>\$ 5,000.00</u>	<u>\$ 5,000.00</u>	<u>\$ 2,503.11</u>	<u>\$ (2,496.89)</u>

City of Marlette
Required Supplemental Information
Budgetary Comparison Schedule
Train Depot Restoration Capital Project Fund
For The Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Contribution - Historical Society	\$ -	\$ -	\$ 40,255.06	\$ 40,255.06
Grant Proceeds	-	-	149,848.11	149,848.11
Other Revenue	-	-	225.27	225.27
<u>Total Revenues</u>	<u>-</u>	<u>-</u>	<u>190,328.44</u>	<u>190,328.44</u>
<u>Expenditures</u>				
Construction in Progress	-	-	199,172.79	(199,172.79)
<u>Total Expenditures</u>	<u>-</u>	<u>-</u>	<u>199,172.79</u>	<u>(199,172.79)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	-	-	(8,844.35)	(8,844.35)
<u>Other Financing Sources (Uses) Operating</u>				
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources</u>				
<u>Over (Under) Expenditures & Other Uses</u>	-	-	(8,844.35)	(8,844.35)
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>5,585.86</u>	<u>5,585.86</u>
<u>Fund Balance - End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,258.49)</u>	<u>\$ (3,258.49)</u>

Other Supplemental Information

City of Marlette
Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2006

	Pension & Other Trust Funds			Agency Funds		
	Cemetery Perpetual Care	Nonexpendable Trust		Payroll Agency Fund	Tax Collection Fund	Totals
<u>Assets</u>	Expendable Trust					
Cash & Certificate of Deposit	\$ 4,675.00	\$ 71,468.14	\$ 76,143.14	\$ 267.68	\$ 546.00	\$ 813.68
<u>Total Assets</u>	4,675.00	71,468.14	76,143.14	267.68	546.00	813.68
<u>Liabilities & Fund Balance</u>						
<u>Liabilities</u>						
Due To General Fund	-	-	-	-	546.00	546.00
Due To Other Governmental Agencies	-	-	-	267.68	-	267.68
<u>Total Liabilities</u>	-	-	-	267.68	546.00	813.68
<u>Net Assets</u>						
Held in Trust for Cemetery Perpetual Care	-	71,468.14	71,468.14			
Unreserved - Undesignated	4,675.00	-	4,675.00			
<u>Total Liabilities & Net Assets</u>	4,675.00	71,468.14	76,143.14			

City of Marlette

Other Supplemental Information

Combining Statement of Changes in Net Assets

Fiduciary Funds

June 30, 2006

	Pension & Other Trust Funds		
	Cemetery Perpetual Care		Totals
	Expendable Trust	Nonexpendable Trust	
Additions			
Interest Income - Perpetual Care	\$ 963.52	\$ -	\$ 963.52
Sale of Lots - Perpetual Care	-	620.00	620.00
Total Additions	963.52	620.00	1,583.52
Deductions			
Contribution To (From) Other Funds	963.52	-	963.52
Total Deductions	963.52	-	963.52
Net Increase	-	620.00	620.00
Net Assets - Beginning of Year	4,675.00	70,848.14	75,523.14
Net Assets - End of Year	\$ 4,675.00	\$ 71,468.14	\$ 76,143.14

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

General Obligation Bonds / Installment Contracts

1999 Waste Water Disposal Limited Tax General

Obligation Refunding Bonds - 1999 Series Dated March 1, 1999

Interest Payable July 1, and January 1, Authorized Issue \$2,080,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2006	June 30, 2005	
4.00%	7-1-06	\$ -	\$ 50,000	\$ -
4.10%	7-1-07	50,000	50,000	85,663
4.20%	7-1-08	55,000	55,000	83,612
4.30%	7-1-09	55,000	55,000	81,303
4.75%	7-1-10	55,000	55,000	78,937
4.75%	7-1-11	60,000	60,000	76,325
4.75%	7-1-12	65,000	65,000	73,475
4.75%	7-1-13	70,000	70,000	70,388
4.75%	7-1-14	65,000	65,000	67,062
5.00%	7-1-15	70,000	70,000	63,975
5.00%	7-1-16	75,000	75,000	60,475
5.00%	7-1-17	80,000	80,000	56,725
5.00%	7-1-18	85,000	85,000	52,725
5.00%	7-1-19	90,000	90,000	48,475
5.00%	7-1-20	90,000	90,000	43,975
5.00%	7-1-21	95,000	95,000	39,475
5.00%	7-1-22	100,000	100,000	34,725
5.00%	7-1-23	100,000	100,000	29,725
5.10%	7-1-24	95,000	95,000	24,625
5.10%	7-1-25	95,000	95,000	19,780
5.15%	7-1-26	95,000	95,000	14,935
5.15%	7-1-27	95,000	95,000	10,042
5.15%	7-1-28	100,000	100,000	5,150
Total - Waste Water Disposal Bonds		\$ 1,740,000	\$ 1,790,000	\$ 1,121,572

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

General Obligation Bonds / Installment Contracts

1994 Downtown Development Bond

Dated November 1, 1994, Interest Payable March 1, & September 1,
Authorized Issue \$450,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2006	June 30, 2005	
6.80%	3-1-06	\$ -	\$ 25,000	\$ -
6.90%	3-1-07	30,000	30,000	18,803
6.90%	3-1-08	30,000	30,000	16,733
6.95%	3-1-09	35,000	35,000	14,633
6.95%	3-1-10	40,000	40,000	12,230
7.00%	3-1-11	40,000	40,000	9,450
7.00%	3-1-12	45,000	45,000	6,650
7.00%	3-1-13	50,000	50,000	3,500
Total - Limited G.O. Bonds		\$ 270,000	\$ 295,000	\$ 81,999

September 24, 1999 Installment Purchase Contract

Euclid & Sterling Street Improvements

Principal and Interest Payable June 24 and December 24

Authorized Issue \$100,000

4.25%	12-24-05	\$ -	\$ 6,220	\$ -
4.25%	6-24-06	-	5,289	-
4.25%	12-24-06	5,397	5,397	858
4.25%	6-24-07	5,516	5,516	739
4.25%	12-24-07	5,629	5,629	626
4.25%	6-24-08	5,749	5,749	506
4.25%	12-24-08	5,872	5,872	383
4.25%	6-24-09	5,998	5,998	257
4.25%	12-24-09	1,210	1,210	131
Total - Installment Loan		\$ 35,371	\$ 46,880	\$ 3,500

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

General Obligation Bonds / Installment Contracts

December 1, 1999 Installment Purchase Contract

3394 S. Main Street

Principal and Interest Payable June 1, and December 1

Authorized Issue \$64,500

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2006	June 30, 2005	
4.25%	12-1-05	\$ -	\$ 3,300	\$ -
4.25%	06-1-06	-	3,376	-
4.25%	12-1-06	3,445	3,445	548
4.25%	06-1-07	3,521	3,521	472
4.25%	12-1-07	3,593	3,593	400
4.25%	06-1-08	3,670	3,670	323
4.25%	12-1-08	3,748	3,748	245
4.25%	06-1-09	3,829	3,829	164
4.25%	12-1-09	2,319	2,319	83
Total - Series A Bonds		\$ 24,125	\$ 30,801	\$ 2,235

2001 MI Transportation Fund Bonds

Bond Date - September 01, 2001

Interest Payable Sept. 1 & March 1

Authorized Issue \$700,000

4.55%	9-1-05	\$ -	\$ 40,000	\$ -
4.55%	9-1-06	40,000	40,000	24,343
4.55%	9-1-07	40,000	40,000	22,523
4.55%	9-1-08	45,000	45,000	20,589
4.55%	9-1-09	45,000	45,000	18,541
4.55%	9-1-10	50,000	50,000	16,380
4.55%	9-1-11	50,000	50,000	14,105
4.55%	9-1-12	50,000	50,000	11,830
4.55%	9-1-13	55,000	55,000	9,441
4.55%	9-1-14	55,000	55,000	6,939
4.55%	9-1-15	60,000	60,000	4,323
4.55%	9-1-16	65,000	65,000	1,479
Total 2001 MI Transportation Bond		\$ 555,000	\$ 595,000	\$ 150,493

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

General Obligation Bonds / Installment Contracts

May 8, 1999 Installment Purchase Contract

3391 S. Main Street

Principal and Interest payable April 15 and October 15

Authorized issue \$80,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2006	June 30, 2005	
4.25%	10-15-05	\$ -	\$ 4,165	\$ -
4.25%	04-15-06	-	4,267	-
4.25%	10-15-06	4,354	4,354	587
4.25%	04-15-07	4,449	4,449	492
4.25%	10-15-07	4,541	4,541	400
4.25%	04-15-08	4,638	4,638	303
4.25%	10-15-08	4,737	4,737	204
4.25%	04-15-09	4,860	4,860	90
Total -3391 S. Main Street Install Purch Contract		\$ 27,579	\$ 36,011	\$ 2,076

City/Twp. Building - Tri-County Bank

May 7, 2002 Installment Purchase Contract

Principal and Interest payable Nov. 7 and May 7

Authorized issue \$62,650

4.46%	11-7-05	\$ -	\$ 2,854	\$ -
4.46%	5-7-06	-	2,931	-
4.46%	11-7-06	3,017	3,017	913
4.46%	5-7-07	3,084	3,084	846
4.46%	11-7-07	3,152	3,152	778
4.46%	5-7-08	3,222	3,222	708
4.46%	11-7-08	3,293	3,293	637
4.46%	5-7-09	3,366	3,366	564
4.46%	11-7-09	3,440	3,440	490
4.46%	5-7-10	3,516	3,516	414
4.46%	11-7-10	3,594	3,594	336
4.46%	5-7-11	3,674	3,674	256
4.46%	11-7-11	3,755	3,755	175
4.46%	5-7-12	3,688	3,688	81
Total City/Twsp. Building Purchase Contract		\$ 40,801	\$ 46,586	\$ 6,198

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Installment Note Payable

Elgin Street Sweeper

Dated November 10, 2000

Principal and Interest payable quarterly

Authorized issue \$142,000

Interest Rate	Date Of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2006	June 30, 2005	
5.45%	9-1-05	\$ -	\$ 7,994	\$ -
5.45%	12-1-05	-	8,594	-
Total Installment Note Payable		<u>\$ -</u>	<u>\$ 16,588</u>	<u>\$ -</u>
Total Governmental Bonds, Contracts, & Loans		<u>\$ 2,692,876</u>	<u>\$ 2,856,866</u>	<u>\$ 1,368,073</u>

Business-type General Obligation Bonds & Purchase Contracts

Municipal Purchase Contract

Water Main Installation - Fenner St.

Contract Date - November 26, 2001

Principal and Interest Payable November 8

Authorized Issue \$194,000

4.20%	11-1-05	\$ -	\$ 18,060	\$ -
4.20%	11-1-06	18,829	18,829	5,352
4.20%	11-1-07	19,631	19,631	4,551
4.20%	11-1-08	20,456	20,456	3,725
4.20%	11-1-09	21,338	21,338	2,844
4.20%	11-1-10	22,246	22,246	1,935
4.20%	11-1-11	23,237	23,237	992
Total Municipal Purchase Contract		<u>\$ 125,737</u>	<u>\$ 143,797</u>	<u>\$ 19,399</u>

City of Marlette
Other Supplemental Information
Schedule of Indebtedness
June 30, 2006

Revenue Bonds

Sewer Revenue Bonds, Series 1994

Dated August 1, 1994

Interest payable July 1, & January 1

Authorized issue \$210,000

Interest Rate	Date of Maturity	Principal Outstanding		Remaining Interest Payable
		June 30, 2006	June 30, 2005	
4.50%	7-1-06	\$ -	\$ 4,000	\$ -
4.50%	7-1-07	4,000	4,000	8,280
4.50%	7-1-08	4,000	4,000	8,100
4.50%	7-1-09	4,000	4,000	7,920
4.50%	7-1-10	4,000	4,000	7,740
4.50%	7-1-11	4,000	4,000	7,560
4.50%	7-1-12	4,000	4,000	7,380
4.50%	7-1-13	4,000	4,000	7,200
4.50%	7-1-14	4,000	4,000	7,020
4.50%	7-1-15	4,000	4,000	6,840
4.50%	7-1-16	4,000	4,000	6,660
4.50%	7-1-17	4,000	4,000	6,480
4.50%	7-1-18	6,000	6,000	6,300
4.50%	7-1-19	6,000	6,000	6,030
4.50%	7-1-20	8,000	8,000	5,760
4.50%	7-1-21	8,000	8,000	5,400
4.50%	7-1-22	8,000	8,000	5,040
4.50%	7-1-23	8,000	8,000	4,680
4.50%	7-1-24	8,000	8,000	4,320
4.50%	7-1-25	8,000	8,000	3,960
4.50%	7-1-26	8,000	8,000	3,600
4.50%	7-1-27	8,000	8,000	3,240
4.50%	7-1-28	8,000	8,000	2,880
4.50%	7-1-29	8,000	8,000	2,520
4.50%	7-1-30	8,000	8,000	2,160
4.50%	7-1-31	10,000	10,000	1,800
4.50%	7-1-32	10,000	10,000	1,350
4.50%	7-1-33	10,000	10,000	900
4.50%	7-1-34	10,000	10,000	450
Total Sewer Revenue Bond		\$ 184,000	\$ 188,000	\$ 141,570
Total Business-type Bonds & Purchase Contracts		\$ 309,737	\$ 331,797	\$ 160,969

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

October 2, 2006

Honorable Mayor and
Members of the City Council
City of Marlette
City of Marlette, Michigan

In accordance with your request, I have made an examination of the financial statements of the City of Marlette for the fiscal year ended June 30, 2006. During the course of my examination an item came to my attention on which I would like to comment and offer my recommendation.

- a. Per P.A. 621 of 1968, the council does not have authorization to spend money until the budget is officially enacted by the Council. This must be done prior to July 1. This budget should be included with the minutes of the City. The budget must be amended prior to the expenditure exceeding the budgeted item.

I thank the City officials and employees for the cooperation I received in the completion of this examination.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant